

C. ROYALTY AND NPSL PAYMENT SUMMARY REPORT (SCHEDULE S1) INSTRUCTIONS:

1. Reporting Instructions

Overview of the Royalty And NPSL Payment Summary Report Scheme:

A lessee must file a Royalty And NPSL Payment Summary Report (Schedule S1) whenever a lessee makes a payment to the State of Alaska for oil and gas royalties. If a lessee makes a single payment to cover all oil and gas royalties for the State of Alaska, only one Royalty And NPSL Payment Summary Report is necessary. When a lessee makes multiple payments within a Business Month a separate Royalty And NPSL Payment Summary Report is required for each payment made, i.e. if separate payments for 'Oil' royalties and 'Gas' royalties are made, a separate report for each payment is required.

Use this schedule to file Principal, Interest, and Total Payment summary information for each Accounting Unit for which a Royalty Valuation Report was filed. In addition, use the Royalty And NPSL Payment Summary Report to report other miscellaneous adjustments to the Grand Total Payment including but not limited to: late payments for specific Accounting Units, Over/Under Payments (from a previous Payment Summary), Over/Under Payment Interest, claiming Earned Income Credits (EICs) by lease, claiming Advanced Rental Credits by lease, and Administrative Fees by Accounting Unit. Use this Payment Summary report to report and pay Net Profit Share Lease (NPSL) payments. Refer to the Net Profit Share Lease Reporting and Payment Instructions for specific information related to NPSL reporting and payments.

Use the S1 schedule to file revisions to previously submitted Royalty And NPSL Payment Summary Reports. When a previous Summary Report is revised, a revision number is assigned in sequential number order that corresponds to the chronological order of the revision beginning with a '00' for the original report. Please refer to Part C 3. of this section for a blank copy of the Royalty And NPSL Payment Summary Report (Schedule S1), which includes item cross-referencing used in the following explanation.

Royalty And NPSL Payment Summary

The purpose of the Royalty And NPSL Payment Summary Report is two fold: 1) the principle and interest reported paid on the Royalty Valuation Reports are summarized by Accounting Unit, Oil or Gas products, and Principle, Interest and Total Payment. 2) The Summary Report provides reconciliation between the Valuation Report Total Amount Due totals, any adjustments summarized as additional payment adjustments (EIC, Advance Rentals, etc.), and the electronic payment that is made by a lessee to cover the Valuation reports that are filed. As such, the Payment Summary explains what a particular payment applies to and demonstrates that the reporting balances with the payment made.

The report is organized into Header Data and Report Data. The Header Data provides specific non-repetitive information about the reporter, the type of report ('Payment'), and the production location and period. The Report Data provides repetitive information in lines and columns. Each line is one record; each column represents a specific data element. The Description Elements are used to describe the Information Elements.

Numeric or alpha codes are used in the Description Elements to represent the variety of Accounting Unit Codes, Report Codes, and Allocations reported. If applicable, code lists for the Descriptive Elements are in Section V Appendix A of these instructions. Additional codes may be assigned as needed to report newly automated information. Lessees should contact DNR-DO&G if a code is not

found in Appendix A.

2. Data Presentation, Formats, And Element Descriptions

Data Presentation:

Refer to Part C 4. of this section for a generic example of a completed Royalty And NPSL Payment Summary Report.

Payment Summary Categories:

A Royalty And NPSL Payment Summary Report must be filed whenever a payment is made for any Oil and 'Gas' Accounting Unit. The Royalty And NPSL Payment Summary Report organizes the payment information into payment summary categories by Accounting Unit to accommodate the Department of Administration financial accounting system.

The 'Oil' Royalty And NPSL Payment Summary Category combines principal and interest payments from the following Product Groups:

1. Oil Group
 - Oil
 - Condensate
2. NGLs Group
 - Regular NGLs
 - Exchange NGLs

The 'Gas' Royalty And NPSL Payment Summary Category combines principal and interest payments from the following Product Group:

1. Gas Group
 - Dry Gas
 - Wet Gas
 - Vapors
 - Liquefied Petroleum Gas (LPG)

The Associated Substance Royalty And NPSL Payment Summary Category combines principal payments from the following Product Group:

1. Associated Substances Group
 - By Product, i.e. sulfur, etc.

Data Elements:

Header Descriptive Elements: All Description Elements must be filled in for the report to be complete.

1. Company Name
2. (Company mailing) Address
3. Preparer
4. Preparer Phone Number
5. Preparer Fax Number
6. Bank Name
7. Bank Location (City, State)
8. Authorized Signature (Electronic)
9. Authorized (person's) Name

10. Authorizers Phone Number
11. Authorizers Fax Number
12. Authorization Date
13. Payment Method
14. Payment Settlement Date
15. Amount Electronically Transferred
16. Customer Id Number
17. Report Type
18. Production Month
19. Revision Number
20. Report Month
21. Control Number

Report Description Elements: All Descriptive Elements, which describe an Information Element, must be filled out for the report to be complete.

- 1) Line Number
- 2) Accounting Unit Code
- 3) Report Code
- 4) Allocation Code
- 5) Lease Number
- 6) Payment Date

Report Information Elements: Report each Information Element on a separate line under the appropriate column heading.

- 1) Payment

Data Formats:

Report Amounts as follows:

1. All negative numbers must be preceded by a minus (-) sign.
2. Report all amounts to the nearest U.S. cent.

Report dates in exactly one of the following formats depending on the format required.

1. Report Month-Day-Year formats as 'mmddyyyy'.
2. Report Month-Year formats as 'mmyyyy'.

Header Data:

All data elements in the header must be filled out completely. The Customer ID, Accounting Unit, and Control Number are critical to accurately identifying your report and payment information. Inaccurate use of Customer IDs, Accounting Unit codes, or Control Numbers could result in the misfiling or misidentification of your reports. Incomplete or missing reports will be subject to administrative fee charges.

Report Data:

The payment summary information summarizes payments by Accounting Unit and Payment Summary Category as detailed in the Royalty Valuation Report as totals (i.e. 'Total Amount Due') by Product/Disposition/Lease Type/Selling Arrangement combinations. There may be more than one 'Total Amount Due' amount on individual Royalty Valuation Reports.

The payment for the 'Oil' Royalty And NPSL Payment Summary Category, as defined above, is broken down into three lines of summary information for each Accounting Unit for which a lessee filed a Current-Production-Month 'Oil' Royalty Valuation Report. The first line/record of summary information includes the combined principal payments for the Current-Production-Month and all revised production month(s) into the 'Oil' principal payment. The second line of summary information includes the interest for all 'Oil' Royalty Valuation Report revisions. The third line of summary information is the sum of lines one and two as just described for the 'Oil' Royalty Valuation Reports, i.e. the Total Payment of Principal reported and paid for the Current-Production-Month plus the revision Principal and interest reported and paid for 'Oil' for the Accounting Unit.

The payment for the 'Gas' Royalty And NPSL Payment Summary Category, as defined above, is broken down into three lines of summary information for each Accounting Unit for which a lessee filed a Current-Production-Month 'Gas' Royalty Valuation Report. The first line/record of summary information includes the combined principal payments for the Current-Production-Month and all revised production month(s) into the 'Gas' principal payment. The second line of summary information includes the interest for all 'Gas' Royalty Valuation Report revisions. The third line of summary information is the sum of lines one and two as just described for the 'Gas' Royalty Valuation Reports, i.e. the Total Payment of principal reported and paid for the Current-Production-Month plus the revision principal and interest reported and paid for 'Gas' for the Accounting Unit.

Oil and NGL Groups must be reported and paid together, i.e. principal and interest for all Accounting Units may be paid for with one payment. NGL Group products payments must not be combined with Gas Group payments. Examples of acceptable combinations of reporting and payment are:

1. All Payment Summary Categories paid in one payment reported on one Royalty And NPSL Payment Summary.
 - a. Oil and NGLs product Groups are included in the single payment. Each Accounting Unit, with 'Oil' products reported and valued on a 'Oil' Royalty Valuation Report, must be broken out into three separate lines of summary information on the Royalty And NPSL Payment Summary Report, as described above, for the composite 'Oil' portion of the payment. All Accounting Units must have been reported and valued as Oil and/or NGL Group products on the Current-Production-Month 'Oil' Royalty Valuation Report.
 - b. The Gas Group products are also included in the single payment. Each Accounting Unit, with 'Gas' products reported and valued on a 'Gas' Royalty Valuation Report, must be broken out into three separate lines of summary information on the Royalty And NPSL Payment Summary Report, as described above, for the 'Gas' portion of the

payment. All Accounting Units must have been reported and valued as Gas Group products on the Current-Production-Month 'Gas' Royalty Valuation Report.

2. Oil and NGL Groups paid as one 'Oil' payment and a separate payment summary report, and the Gas Group paid as a separate 'Gas' payment and separate payment summary report.
 - a. Oil and NGLs Groups products, for all Accounting Units, are included in a separate 'Oil' payment from the Gas Group products payment. Each Accounting Unit, with 'Oil' products reported and valued on the 'Oil' Royalty Valuation Report, must be broken out into three separate lines of summary information on the Royalty And NPSL Payment Summary Report, as described above, for the composite 'Oil' portion of the payment. All Accounting Units must have been reported and valued as Oil and/or NGL Group products on the 'Oil' Royalty Valuation Report.
 - b. Gas Group products, for all Accounting Units, are included in a separate payment from the Oil and NGL Groups products payment. Each Accounting Unit, with 'Gas' products reported and valued on the 'Gas' Royalty Valuation Report, must be broken out as separate lines of information on the Royalty And NPSL Payment Summary Report, as described above, for the 'Gas' portion of the payment. All Accounting Units must have been reported and valued as Gas Group products on the 'Gas' Royalty Valuation Report.
3. Oil, NGL, and Gas product Groups are paid for with a separate payment for each Accounting Unit. Complete both 'Oil' and 'Gas' summary information for each Accounting Unit on a separate Royalty And NPSL Payment Summary Report for each Accounting Unit.
 - a. Oil and NGLs products Groups are included in the separate payment for each Accounting Unit. Each Accounting Unit, with 'Oil' products reported and valued on the 'Oil' Royalty Valuation Report, must be broken out as separate lines of information on the Royalty And NPSL Payment Summary Report, as described above, for the composite 'Oil' portion of the payment. Each Accounting Units must have been reported and valued as Oil and/or NGL Group products on the 'Oil' Royalty Valuation Report.
 - b. The Gas Group products are included in the separate payment for each Accounting Unit. Each Accounting Unit, with 'Gas' products reported and valued on the 'Gas' Royalty Valuation Report, must be broken out as separate lines of information on the Royalty And NPSL Payment Summary Report, as described above, for the 'Gas' portion of the payment. Each Accounting Unit must have been reported and valued as Gas Group products on the 'Gas' Royalty Valuation Report.

Current-Production-Month: Schedule S1:

Report the following items as Report Data for each Accounting Unit included in the payment described by its accompanying Royalty And NPSL Payment Summary Report.

1. The portion of the reported payment for an Accounting Unit, which includes the combined Principal payments on all 'Oil' products for both the Current-Production-Month and all Revisions for the same Accounting Unit filed with the Current-Production-Month.

NOTE: An 'Oil' product, for the purposes of the Payment Summary, includes the payment(s) for Oil and NGLs associated with each Accounting Unit being reported.

NOTE: Although NGLs were normally classified as gas products in certain settlement agreements, they are reported under the 'Oil' report because they are liquids. Reporting NGLs with the 'Oil' does not redefine NGLs as oil for royalty purposes.

2. The portion of the reported payment for 'Oil Group Products' for the Accounting Unit that is Interest on revisions filed with Current-Production-Month 'Oil' reports for that Accounting Unit, as defined in '1.' above. Normally, there should be no Interest associated with amounts reported in the Current-Production-Month.
3. The portion of the reported payment for 'Oil Group Products' for the Accounting Unit that is the 'Total Payment Amount' for the Accounting Unit. 'Total Payment Amount' for the 'Oil Group Products' is the sum of Principal in item '1' and Interest in item '2' directly above.
4. The portion of the reported payment for the Accounting Unit which includes the combined Principal payments on all 'Gas' products for both the Current-Production-Month and all Revisions, excluding NGLs as noted above.
5. The portion of the reported payment for 'Gas' products for the Accounting Unit that is Interest on revisions filed with Current-Production-Month 'Gas' reports. Normally, there should be no interest associated with the amounts reported with the Current-Production-Month.
6. The portion of the reported payment for 'Gas' products for the Accounting Unit that is the 'Total Payment Amount' for the Accounting Unit. 'Total Payment Amount' for the 'Gas' products is the sum of Principal in item '4' and Interest in item '5' directly above.

NOTE: Repeat items 1 through 6 above for each Accounting Unit included in the payment for which the Royalty And NPSL Payment Summary is being filed.

7. The portion(s) of the 'Grand Total' (GT) payment that are made with Advanced Rental Credits. Credits must be reported and broken down by Accounting Unit coded 'ALLL' and Lease Number. Report the 'Payment Date' as the original month and year that the rent was paid. Note: The month-year dates must report using month-day-year format where the first is used for reporting the day of the month and year, i.e. '06011998'.
8. The portion(s) of the 'Grand Total' (GT) payment that are made with Exploration Incentive Credits (EICs). Credits must be reported by Accounting Unit and Lease Number. Report the 'Payment Date' as the original month and year that the credit was granted. Note: The month-year dates must report using month-day-year format where the first is used for reporting the day of the month and year, i.e. '06011998'.
9. The portion(s) of the 'Grand Total' (GT) payment that are over or (under) amounts from

previously reported 'Grand Total' (GT) payments, including interest. Report principal and interest as separate line/record Amounts according to the applicable production month and year to which it applies.

10. The portion(s) of the 'Grand Total' (GT) payment that are Administrative Fees, identified by Accounting Unit and Production Month and Year, assessed on previous Royalty Report filings.
11. Report the 'Grand Total' sum of all 'Total Payment' Payments listed on the report.

Prior Royalty And NPSL Payment Summary Revisions: Schedule S1:

Revised Payment Summary:

Complete a revised Payment Summary report whenever a previously submitted Payment Summary is changed and filed after the due date of the calendar month in which the original Payment Summary being revised was submitted. See Example 6.

Revise a Payment Summary if the Grand Total sum does not exactly match the amount that is reported as the 'Electronically Transferred Amount', i.e. the actual electronic payment. If the amount actually paid, i.e. Amount Electronically Transferred, is different than the sum of the 'TPMT' lines of the Payment Summary Report, then an Over/Underpayment Line must be included in the revised Payment Summary report before the 'GT' or Grand Total payment line.

See Part C 5 Reporting Examples of this Section for examples of revised reports including example uses of the Over/underpayment information line.

Amended Payment Summary:

A Payment Summary may only be amended if the changed report is submitted prior to the normal due date for the Current Production Month reporting and if the Payment Summary being changed includes Current Production Month reports and payments. All other changes to a previously submitted Payment Summary Report must be submitted as revisions.

Over/underpayments:

Overpayments can occur from a volume or value adjustment as a revision to a Royalty Valuation Report that results in an overpayment for the lessee, i.e. an adjustment overpayment. An overpayment can also occur when a payment made is more than what was reported, i.e. a payment overpayment.

When reporting an Over/Under Amount, the 'Payment Date' must be the date of the original Royalty And NPSL Payment Summary Report to which the item refers. Refer to Example 3 Continued and Example 4 Continued in Part C 5. Reporting Examples of this Section. Note: The month-year dates must report using month-day-year format where the first is used for reporting the day of the month and year, i.e. '06011998'.

Adjustment Over/underpayment: Amounts overpaid, due to an adjustment in volume or value that result in an overpayment situation for the lessee, will accrue interest at the rate specified in the applicable valid agreement(s) in effect on the leases included in the Accounting Unit in which the Adjustment Overpayment situation occurs. Note the explanation in the 'Underpayments' paragraph above for determining which method and rate to apply. Interest will accrue in accordance with regulations 11AAC 04. Refund requests must be made in accordance with those same regulations.

Payment Over/underpayment: When a lessee makes a single payment to cover multiple Accounting Units or for all Accounting Unit royalties owed, amounts overpaid at the total payment

level will be held in escrow and will accrue interest in accordance with regulation 11 AAC 04. Interest will accrue until the date of notice to the lessee that they have had a credit entered in their account in accordance with 11 AAC 04. Refund requests must also be made in accordance with 11AAC 04 in Section V Part B. Underpayments are debts held as an accounts receivable until the payment shortage is paid.

Report Month And Revision Number Use: Report Month is the calendar month following the Current Production Month, when referring to a current report filing and both the reports and the payment are received by their normal due date.

When reports and their corresponding payment are not received together on their corresponding normal due date, then Report Month must be thought of independently for the reports versus the payment.

If you receive Royalty Valuation Reports and no Payment, the Report Month for the Royalty Valuation Reports is the calendar month the Valuation Reports are received. The Payment Summary Report that must also accompany the Valuation Reports must reflect the Report Month that corresponds to the calendar month in which the Valuation Reports were received. The Payment Summary Report would report the individual amounts reported on the Valuation Reports, but reflect that no payment (zero dollars) was received.

If you receive the Payment and no Valuation Reports associated with the Payment by the due date of the Report Month in which the Payment is received, the Report Month for the Payment is the calendar month you receive the Payment. A Payment Summary must accompany the Payment with a Report Month and Control Number that corresponds or matches each other and the Payment Summary should have a Report Month that reflects the calendar month in which the payment is received.

Payment Summary Revisions And Report Month Exceptions: The only exception to the above description of Report Month is when a Payment Summary is revised after the due date of the Report Month in which the original Payment Summary report (which is being revised) was filed. The only reason to revise a Payment Summary is to correct information on an original filing so that the report balances the reported amounts from the Valuation reports with the actual payment received. This means that when revising the Payment Summary, the Report Month and the corresponding Control Number MUST NOT be changed and should still match each other and the original filing. The Authorization date for the revision MUST reflect the date of the revision filing.

Authorization Date: The Authorization Date for a revised Payment Summary Report is the date that the revised report is authorized by the reporting lessee. The system checks to make sure that the Authorization Date occurs in the same month as the Report Month on the original '00' report filing.

The EXCEPTION here again is that a revised Payment Summary Report can have an Authorization Date after the Report Month, since the Report Month on the revised Payment Summary MUST be the same as reported on the original filing so that it matches the Control Number.

Revision Number: The revision number on the Payment Summary changes from '00' for the original filing to a subsequent revision number, i.e. '01', whenever a revision is filed after the due date of the original filing.

Data Element Descriptions:

The following section describes the manner in which data is reported in each of the data elements.

Header Data Elements:

| | | | | | | | | | |
|---|--|--------------|---------------------|-----|--------------------------|-----|---------------|-----|-------|
| <u>Company Name (a)</u> | List the name of the individual, partnership, firm or corporation having lease ownership in the Accounting Unit. | | | | | | | | |
| <u>Address (b)</u> | List the lessee's mailing address. | | | | | | | | |
| <u>Prepared by (c)</u> | List the name of the person who is preparing the Royalty And NPSL Payment Summary Report. | | | | | | | | |
| <u>Phone Number (d)</u> | List the phone number of the person who is preparing the Royalty And NPSL Payment Summary Report. | | | | | | | | |
| <u>FAX Number (e)</u> | List the FAX number of the person who is preparing the Royalty And NPSL Payment Summary Report. | | | | | | | | |
| <u>Bank Name (f)</u> | List the name of the commercial bank from which you are sending your payment to the State bank account. | | | | | | | | |
| <u>Bank Location (g)</u> | List the City and State of the location of the commercial bank from which the payment is being sent. | | | | | | | | |
| <u>Authorized Signature (h)</u> | Signature of the person who is authorizing the Royalty And NPSL Payment Summary Report. This must be an approved electronic signature when filing electronically. Refer to Section IV. Electronic Filing of these instructions. | | | | | | | | |
| <u>Authorized Signature (Printed) (i)</u> | List the name of the authorizing signatory of the Royalty And NPSL Payment Summary Report. | | | | | | | | |
| <u>Phone Number (j)</u> | List the phone number of the person who is authorizing the Royalty And NPSL Payment Summary Report. | | | | | | | | |
| <u>FAX Number (k)</u> | List the FAX number of the person who is authorizing the Royalty And NPSL Payment Summary Report. | | | | | | | | |
| <u>Authorized Date (l)</u> | List the date the Royalty And NPSL Payment Summary Report is being certified by your company. Use the exact month-day-year numeric format, ' mmddyyyy '. | | | | | | | | |
| <u>Payment Method (m)</u> | List one of the following codes to indicate how the payment is being made: <table><tr><td><u>Code:</u></td><td><u>Description:</u></td></tr><tr><td>ACH</td><td>Automatic Clearing House</td></tr><tr><td>WTN</td><td>Wire Transfer</td></tr><tr><td>CHK</td><td>Check</td></tr></table> | <u>Code:</u> | <u>Description:</u> | ACH | Automatic Clearing House | WTN | Wire Transfer | CHK | Check |
| <u>Code:</u> | <u>Description:</u> | | | | | | | | |
| ACH | Automatic Clearing House | | | | | | | | |
| WTN | Wire Transfer | | | | | | | | |
| CHK | Check | | | | | | | | |

| | |
|--|---|
| <u>Payment Settlement Date (n)</u> | List the date the payment is settled with the State of Alaska bank account and the money is available in that account. Use the exact month-day-year numeric format, 'mmddyyyy'. |
| <u>Amount Electronically Transferred (o)</u> | List the total amount electronically transferred by your company for the Accounting Units being reported on the Royalty And NPSL Payment Summary Report. |
| <u>Customer ID (p)</u> | List the Customer ID code that has been assigned to you as a lessee by the State of Alaska. A list of Customer ID codes can be found in Section V, Appendix A 2 of these instructions. |
| <u>Report Type (q)</u> | List the type of report you are filing, in this case a Royalty And NPSL Payment Summary Report Type 'S1'. A list of Report Type codes can be found in Section V, Appendix A-3 of these instructions. |
| <u>Production Month (r)</u> | Not used. |
| <u>Revision Number (s)</u> | List the revision number. Original reports should be identified with '00'. Each subsequent revision increases the report number by 1. |
| <u>Report Month (t)</u> | List the calendar month in which the Royalty And NPSL Payment Summary Report is being filed. Normally, the Report Month is immediately after the Current-Production-Month, i.e. January 1997 Production Month has a February 1997 Report Month. When filing a Revised Royalty And NPSL Payment Summary Report, the Report Month should correspond with the Report Month used for the original Royalty And NPSL Payment Summary Report being revised. For example if a revised Royalty And NPSL Payment Summary Report for the original March Production Month, April Report Month, April Business Month 1997 is being submitted, the Report Month for the revision is April 1997. Use the exact month-year numeric format, 'mmyyyy' i.e. 041997 in the above example. |
| <u>Control Number (u)</u> | List the Control Number that ties the payment with the Royalty And NPSL Payment Summary Report. See Section V, Appendix A-12 Control Number for an explanation on how to assign a control number. |
| Report Data Elements: | |
| <u>Line Number (v)</u> | List the line number of each individual line of data filed in the Royalty And NPSL Payment Summary Report. |
| <u>Accounting Unit Code (w)</u> | List the Accounting Unit Code that has been assigned to the operation, lease, or unit for which you are reporting a payment. A list of the Accounting Unit names codes is in Section V A-1 of these instructions. |

Report Code (x)

List the code for the report you are filing, either an 'Oil' (OR) or 'Gas' (GC) report. A list of Report Codes can be found in Section V, Appendix A-4 of these instructions.

Allocation Code (y)

List the Allocation Code that describes the payment being reported, i.e. Principal, Interest, Total Payment, Advanced Rental Credit, etc. A list of payment allocation codes can be found in Section V, Appendix A-10 of these instructions.

Lease Number (z)

Lease numbers only need to be reported when credits are based on a specific lease. If applicable, list the specific lease number to which the payment (credit) portion applies.

Payment Date (aa)

List the production month and year to which the payment applies. Use the month-day-year format 'mmddyyyy' in all cases regardless whether you are reporting a production month year or a month-day-year date. When reporting a production month and year, report the day as '01', i.e. 'mm01yyyy'. If you are reporting a full date report the exact day to be reported and only if the specific item you are reporting requires the exact day format.

Payment (ab)

List the portion of the electronic transfer being reported for the Accounting Unit and type of payment described.

3. Blank Schedule S1 Report Form

Alaska Royalty And NPSL Payment Summary Report

State of Alaska
Department of Natural Resources
Division of Oil and Gas

- (a) Company Name: (h) Authorized Signature:
(b) Address: (i) Authorized Signature (Printed):
City, State, Zip: (j) Phone Number:
(c) Prepared By: (k) Fax Number:
(d) Phone Number: (l) Authorized Date:
(e) Fax Number: (m) Payment Method:
(f) Bank Name: (n) Payment Settlement Date:
(g) Bank Location: (o) Amount Electronically Transferred:

State of Alaska Royalty And NPSL Payment Summary Report (S1)

- (p) Customer ID Number: (s) Revision No.:
(q) Report Type: S1 (t) Report Month:
(r) : (Blank) (u) Control Number:

| (v) | (w) | (x) | (y) | (z) | (aa) | (ab) |
|----------|----------------------|-------------|-----------------|--------------|--------------|---------|
| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
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| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |

4. Alaska Royalty And NPSL Payment Summary Report Completed Example

Alaska Royalty And NPSL Payment Summary Report

State of Alaska

Department of Natural Resources

Division of Oil and Gas

(a) Company Name: Any Company (h) Authorized Signature: 1234567890
 (b) Address: P.O. Box 100360 (i) Authorized Signature (Printed): Jane Doe
 (j) Phone Number:
 City, State, Zip: Anchorage, AK 99510 (k) Fax Number:
 (c) Prepared By: Jane Doe (l) Authorized Date: 12171997
 (d) Phone Number: (907) 263-4883
 (e) Fax Number: (m) Payment Method: WTN
 (f) Bank Name: (n) Payment Settlement Date: 12311997
 (g) Bank Location: (o) Amount Electronically Transferred: \$11,919,067.30

State of Alaska Royalty Payment Summary Report (S1)

(p) Customer ID Number: 000106346 (s) Revision No.: 00
 (q) Report Type: S1 (t) Report Month: 121997
 (r) : (Blank) (u) Control Number: 000106346P12199700

| (v) | (w) | (x) | (y) | (z) | (aa) | (ab) |
|----------|----------------------|-------------|-----------------|--------------|--------------|----------------|
| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
| 1 | BLGA | GC | PRIN | | | \$124,811.88 |
| 2 | BLGA | GC | INTR | | | \$0.00 |
| 3 | BLGA | GC | TPMT | | | \$124,811.88 |
| 4 | ENDI | OR | PRIN | | | \$1,168.28 |
| 5 | ENDI | OR | INTR | | | \$0.00 |
| 6 | ENDI | OR | TPMT | | | \$1,168.28 |
| 7 | PRUD | OR | PRIN | | | \$4,344,305.92 |
| 8 | PRUD | OR | INTR | | | \$0.00 |
| 9 | PRUD | OR | TPMT | | | \$4,344,305.92 |
| 10 | PRUD | GC | PRIN | | | \$20,146.26 |
| 11 | PRUD | GC | INTR | | | \$0.00 |
| 12 | PRUD | GC | TPMT | | | \$20,146.26 |
| 13 | KPRK | OR | PRIN | | | \$6,926,695.21 |
| 14 | KPRK | OR | INTR | | | \$0.00 |
| 15 | KPRK | OR | TPMT | | | \$6,926,695.21 |
| 16 | KPRK | GC | PRIN | | | \$3,932.38 |

Alaska Royalty And NPSL Payment Summary Report

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|-----------------|
| 17 | KPRK | GC | INTR | | | \$0.00 |
| 18 | KPRK | GC | TPMT | | | \$3,932.38 |
| 19 | LISB | OR | PRIN | | | \$59,272.23 |
| 20 | LISB | OR | INTR | | | \$0.00 |
| 21 | LISB | OR | TPMT | | | \$59,272.23 |
| 22 | WNKK | OR | PRIN | | | \$18,315.32 |
| 23 | WNKK | OR | INTR | | | \$0.00 |
| 24 | WNKK | OR | TPMT | | | \$18,315.32 |
| 25 | PTMC | OR | PRIN | | | \$387,118.02 |
| 26 | PTMC | OR | INTR | | | \$0.00 |
| 27 | PTMC | OR | TPMT | | | \$387,118.02 |
| 28 | WBEA | OR | PRIN | | | \$0.00 |
| 29 | WBEA | OR | INTR | | | \$0.00 |
| 30 | WBEA | OR | TPMT | | | \$0.00 |
| 31 | WNAK | OR | PRIN | | | \$33,301.80 |
| 32 | WNAK | OR | INTR | | | \$0.00 |
| 33 | WNAK | OR | TPMT | | | \$33,301.80 |
| 34 | ALLL | P | GT | | | \$11,919,067.30 |

5. Reporting Examples

- a. Late Filing (Of An Original Report) and Payment: This example illustrates interest reporting for an original filing for a Production Month that is filed and paid after the normal due date for that Production Month. When an Accounting Unit is reported and paid late, late payment information must be reported on the Royalty And NPSL Payment Summary as follows, regardless of whether a late filed report is sent with Current Production Month filings or is sent separately:

Example 1: A lessee files an original royalty report for the production month of June 1999 on December 10, 1999. The corresponding payment summary report was also filed on December 10, 1999.

- i. The portion of the reported payment for the Late Payment Accounting Unit that includes the combined 'Total Amount Due' amounts from the Royalty Valuation Report for the Accounting Unit for all 'Oil' products. Report this sum as Principal (PRIN) for 'Oil' products included (combined) with Current Month Valuation Reports for the same Accounting Unit.
- ii. The portion of the reported payment for 'Oil Group Products' for the Accounting Unit that includes the combined 'Late Payment Interest' amounts from the Royalty Valuation Report noted in item '1' directly above. Report this sum as Late Payment Interest (LPMI) on the Royalty Payment Summary by individual Production Months.
- iii. The portion of the reported payment for 'Oil Group Products' for the Accounting Unit that includes the 'Late Payment Interest' Amounts in item '2' directly above. Report this Amount as Late Payment Total (LPMT).
- iv. The portion of the reported payment for the Late Payment Accounting Unit that includes the combined 'Total Amount Due' amounts from the Royalty Valuation Report for the Accounting Unit for all 'Gas' products. Report this sum as Principal (PRIN) for 'Gas' products included (combined) with Current Month Valuation Reports for the same Accounting Unit.
- v. The portion of the reported payment for 'Gas' products for the Accounting Unit that includes the combined 'Late Payment Interest' amounts from the Royalty Valuation Report noted in item '4' directly above. Report this sum as Late Payment Interest (LPMI) on the Royalty Payment Summary by individual Production Months.
- vi. The portion of the reported payment for 'Gas Group Products' for the Accounting Unit that includes the 'Late Payment Interest' Amounts in item '5' directly above. Report this Amount as Late Payment Total (LPMT).

NOTE: Repeat items 1 through 6 above for each Accounting Unit paid late and included in the payment for which the Royalty And NPSL Payment Summary is being filed.

The Royalty And NPSL Payment Summary Report should have a separate line for Late Payment Interest for each 'late' report by Accounting Unit and Production Month.

Each Late Payment Interest line reported on the Royalty And NPSL Payment Summary should show the Accounting Unit to which it applies, and the 'Payment Date' should be the Production Month and Year that the interest applies to using the month-day-year format, i.e. '09011998'.

After all Late Payment Interest lines are reported for a specific Accounting Unit and Report Code, a Late Payment Total (LPMT) line should be reported on the Royalty Late Payment Summary Report totaling all Late Payment Interest Amounts reported for an Accounting Unit and Report Code.

Late Payment Interest Amounts should NOT be included in the interest amounts summed from normal revisions that were filed for the same Accounting Unit.

Report Month: December 1999

Production Month: June 1999

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|--------------|
| 1 | KPRK | OR | PRIN | | | \$124,811.88 |
| 2 | KPRK | OR | INT | | | 0.00 |
| 3 | KPRK | OR | TPMT | | | \$124,811.88 |
| 4 | KPRK | GC | PRIN | | | \$1,168.28 |
| 5 | KPRK | GC | INT | | | \$0.00 |
| 6 | KPRK | GC | TPMT | | | \$1,168.28 |
| 7 | KPRK | OR | LPMT | | 06011999 | \$4,588.97 |
| 8 | KPRK | OR | LPMT | | 06011999 | \$4,588.97 |
| 9 | KPRK | GC | LPMT | | 06011999 | \$42.95 |
| 10 | KPRK | GC | LPMT | | 06011999 | \$42.95 |
| 11 | ALLL | P | GT | | | \$130,612.08 |

Example 2: A lessee files an original Royalty Valuation Report for the Production Month of June 1999 on December 10, 1999. The corresponding Payment Summary Report was also filed on December 10, 1999. No payment is made at the time of the late report filing. Since no payment was made, LPMT (Late Payment Interest) is not reported on the Payment summary Report, because interest will accrue until the payment is made. When the payment of principle is actually made interest can be calculated based on the proper interest rate and method, for the time period determined using the original due date and the final date of principle payment.

Report Month: December 1999

Production Month: June 1999

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|---------------|
| 1 | KPRK | OR | PRIN | | | \$124,811.88 |
| 2 | KPRK | OR | INT | | | 0.00 |
| 3 | KPRK | OR | TPMT | | | \$124,811.88 |
| 4 | KPRK | GC | PRIN | | | \$1,168.28 |
| 5 | KPRK | GC | INT | | | \$0.00 |
| 6 | KPRK | GC | TPMT | | | \$1,168.28 |
| 5 | ALLL | P | OUP | | 12011999 | -\$125,980.16 |
| 6 | ALLL | P | OUT | | | -\$125,980.16 |
| 7 | ALLL | P | GT | | | \$0.00 |

Example 3: A lessee files original Royalty Valuation Reports for the Production Month of October 2000 on November 30, 2000. The corresponding Payment Summary Report was also filed on November 30, 2000. No payment is made at the time of the late report filing. Since no payment was made, LPMI (Late Payment Interest) is not reported on the Payment Summary Report, because interest will accrue until the payment is made. When the payment of principle is actually made interest can be calculated based on the proper interest rate and method, for the time period determined using the original due date and the final date of principle payment. Since this is a Current Month Filing, i.e. the Valuation Reports are filed on time, but no payment is made, an Over/Underpayment line is included in the Payment Summary Report.

Report Month: November 2000

Production Month: October 2000

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|-----------------|
| 1 | KPRK | OR | PRIN | | | \$124,811.88 |
| 2 | KPRK | OR | INT | | | \$0.00 |
| 3 | KPRK | OR | TPMT | | | \$124,811.88 |
| 4 | KPRK | GC | PRIN | | | \$1,168.28 |
| 5 | KPRK | GC | INT | | | \$0.00 |
| 6 | KPRK | GC | TPMT | | | \$1,168.28 |
| 7 | PRUD | OR | PRIN | | | \$2,234,187.88 |
| 8 | PRUD | OR | INT | | | \$0.00 |
| 9 | PRUD | OR | TPMT | | | \$2,234,187.88 |
| 10 | PRUD | GC | PRIN | | | \$2,345.06 |
| 11 | PRUD | GC | INT | | | \$0.00 |
| 12 | PRUD | GC | TPMT | | | \$2,345.06 |
| 13 | ALLL | P | OUP | | 11012000 | -\$2,362,513.10 |
| 14 | ALLL | P | OUT | | | -\$2,362,513.10 |
| 15 | ALLL | P | GT | | | \$0.00 |

Example 3 Continued: A lessee makes payment for the original Royalty Valuation Reports in the first part of this Example 3. The lessee makes payment for the reports on March 29, 2001 for the Original Production Month of October 2000 filed November 30, 2000. The Payment Summary Report filed with the payment includes LPMI (Late Payment Interest) not reported on the Payment Summary Report when the reports were actually filed. Interest accrued until the principle payment was made. When the payment of principle was actually made interest was also calculated and paid based on the proper interest rate and method, for the time period determined using the original due date and the final date of principle payment. An Over/Underpayment line is included in the Payment Summary Report referencing the Payment Summary where the Royalty Valuation Reports were originally reported but not paid.

Report Month: March 2001 Production Month: October 2000

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|-------------|
| 1 | KPRK | OR | LPMI | | 10012000 | \$4,588.97 |
| 2 | KPRK | OR | LPMT | | | \$4,588.97 |
| 3 | KPRK | GC | LPMI | | 10012000 | \$42.95 |
| 4 | KPRK | GC | LPMT | | | \$42.95 |
| 5 | PRUD | OR | LPMI | | 10012000 | \$82,144.66 |
| 6 | PRUD | OR | LPMT | | | \$82,144.66 |
| 7 | PRUD | GC | LPMI | | 10012000 | \$86.22 |
| 8 | PRUD | GC | LPMT | | | \$86.22 |
| 9 | ALLL | P | OUP | | 11012000 | \$86,862.80 |
| 10 | ALLL | P | OUT | | | \$86,862.80 |
| 11 | ALLL | P | GT | | | \$86,862.80 |

Example 4: A lessee makes a payment for original Royalty Valuation Reports for the Production Month of October 2000 on November 30, 2000. The corresponding Payment Summary Report is also filed on November 30, 2000. However, no Royalty Valuation Reports are filed when the payment is made on November 30, 2000. Since no reports are filed, the payment is treated as an overpayment for the Royalty And NPSL Payment Summary Report purposes. The Payment Summary would consist of two lines of information:

Report Month: November 2000

Production Month: October 2000

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|----------------|
| 1 | ALLL | P | OUP | | 11012000 | \$2,362,513.10 |
| 2 | ALLL | P | OUT | | | \$2,362,513.10 |
| 3 | ALLL | P | GT | | | \$2,362,513.10 |

Example 4 Continued: The lessee realizes his error and files the original Royalty Valuation Reports for the Production Month of October 2000 on December 1, 2000. A corresponding Payment Summary Report must also be filed when the reports are filed since they did not coincide in the same calendar month as the payment that was intended to cover the Royalty Valuation Reports for the Production Month of October 2000. No new payment is made at the time of the late report filing; a reference is made to the previous Overpayment that was originally intended to cover the Current Month Filing of the Valuation Reports. An Over/Underpayment line is included in the Payment Summary Report filed when the reports are actually filed.

Report Month: December 2000

Production Month: October 2000

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|-----------------|
| 1 | KPRK | OR | PRIN | | | \$124,811.88 |
| 2 | KPRK | OR | INT | | | \$0.00 |
| 3 | KPRK | OR | TPMT | | | \$124,811.88 |
| 4 | KPRK | GC | PRIN | | | \$1,168.28 |
| 5 | KPRK | GC | INT | | | \$0.00 |
| 6 | KPRK | GC | TPMT | | | \$1,168.28 |
| 7 | PRUD | OR | PRIN | | | \$2,234,187.88 |
| 8 | PRUD | OR | INT | | | \$0.00 |
| 9 | PRUD | OR | TPMT | | | \$2,234,187.88 |
| 10 | PRUD | GC | PRIN | | | \$2,345.06 |
| 11 | PRUD | GC | INT | | | \$0.00 |
| 12 | PRUD | GC | TPMT | | | \$2,345.06 |
| 13 | ALLL | P | OUP | | 11012000 | -\$2,362,513.10 |
| 14 | ALLL | P | OUT | | | -\$2,362,513.10 |
| 15 | ALLL | P | GT | | | \$0.00 |

Example 5: The lessee has Earned Incentive Credits (EICs), Advanced Rental Credits (AR) and an Administrative Fee (AF) to include on a Current Month filing. The example below shows the coding and report format for these types of miscellaneous reported items. The 'Payment Date' for an 'EIC' is the month and year in which the credit was granted. The 'Payment Date' for an 'AR' is the month and year in which the credit payment was originally made. The 'Payment Date' for an 'AF' is the month and year the fee was invoiced. Both are reported using the month-day-year format, i.e. '09011998'.

Report Month: December 2000

Production Month: October 2000

| Line No. | Accounting Unit Code | Report Code | Allocation Code | Lease Number | Payment Date | Payment |
|----------|----------------------|-------------|-----------------|--------------|--------------|--------------|
| 1 | KPRK | OR | PRIN | | | \$124,811.88 |
| 2 | KPRK | OR | INT | | | \$0.00 |
| 3 | KPRK | OR | TPMT | | | \$124,811.88 |
| 4 | KPRK | OR | EIC | 312218 | 08011998 | -\$1,168.28 |
| 5 | ENDI | OR | AR | 346892 | 01011999 | -\$1,200.00 |
| 6 | KPRK | P | AF | | 06012000 | \$450.00 |
| 7 | ALLL | P | GT | | | \$122,893.60 |

Example 6: Revised Payment Summary Header. A revised payment summary is filed when data on the payment summary is corrected after the last business day of the month. It is critical that the report month remain the same on the revision as was reported on the original filing of the payment summary. Due to data checks, date cross checking and payment control numbers the Report Month date must be consistent among the original and subsequent revisions to the original payment summary filing. Below is an example of an original header and the subsequent revised payment summary header. Note that the only two fields the normally change in the header are the revision number going from '00' to '01' in this example, and the authorization date of the report. All other dates should remain the same, i.e. the Payment Settlement date, the Report Month, and the date shown in the payment control number.

Original Filing:

| |
|---|
| Alaska Royalty And NPSL Payment Summary Report |
|---|

State of Alaska

Department of Natural Resources

Division of Oil and Gas

- | | |
|---|---|
| <p>(a) Company Name: Any Company</p> <p>(b) Address: P.O. Box 100360</p> <p style="padding-left: 40px;">City, State, Zip: Anchorage, AK 99510</p> <p>(c) Prepared By: Jane Doe</p> <p>(d) Phone Number: (907) 263-4883</p> <p>(e) Fax Number:</p> <p>(f) Bank Name:</p> <p>(g) Bank Location:</p> | <p>(h) Authorized Signature: 1234567890</p> <p>(i) Authorized Signature (Printed): Jane Doe</p> <p>(j) Phone Number:</p> <p>(k) Fax Number:</p> <p>(l) Authorized Date: 12171997</p> <p>(m) Payment Method: WTN</p> <p>(n) Payment Settlement Date: 12311997</p> <p>(o) Amount Electronically Transferred: \$11,919,067.30</p> |
|---|---|

State of Alaska Royalty Payment Summary Report (S1)

- | | |
|--|--|
| <p>(p) Customer ID Number: 000106346</p> <p>(q) Report Type: S1</p> <p>(r) : (Blank)</p> | <p>(s) Revision No.: 00</p> <p>(t) Report Month: 121997</p> <p>(u) Control Number: 000106346P12199700</p> |
|--|--|

Revised Filing:

| |
|---|
| Alaska Royalty And NPSL Payment Summary Report |
|---|

State of Alaska

Department of Natural Resources

Division of Oil and Gas

| | |
|---------------------------------------|--|
| (a) Company Name: Any Company | (h) Authorized Signature: 1234567890 |
| (b) Address: P.O. Box 100360 | (i) Authorized Signature (Printed): Jane Doe |
| | (j) Phone Number: |
| City, State, Zip: Anchorage, AK 99510 | (k) Fax Number: |
| (c) Prepared By: Jane Doe | (l) Authorized Date: 01021998 |
| (d) Phone Number: (907) 263-4883 | |
| (e) Fax Number: | (m) Payment Method: WTN |
| (f) Bank Name: | (n) Payment Settlement Date: 12311997 |
| (g) Bank Location: | (o) Amount Electronically Transferred: \$11,919,067.30 |

State of Alaska Royalty Payment Summary Report (S1)

| | |
|-----------------------------------|--|
| (p) Customer ID Number: 000106346 | (s) Revision No.: 01 |
| (q) Report Type: S1 | (t) Report Month: 121997 |
| (r) : (Blank) | (u) Control Number: 000106346P12199700 |